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# INDUSTRIAL UNREST:

## A WAY OUT

BY

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WITH AN INTRODUCTION BY

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## INTRODUCTION

All the world wants industrial peace. One hundred years have taught us that it has never been and will be had by the easy method of letting "our side" win. It must be built to last.

Never has been more obvious the killing extravagance of continuous guerilla war—never more clear its inevitability under the present dispensation.

Here writes a man pointing the true way out: a man whose life has been spent in managing a large business in a highly competitive field, who, in the midst of the most tense relations between masters and men—seeing labor warlike or sullen, capital truculent or condescending—has kept his sympathy, calm and observant. Wholly unassuming, without thought of blame—too practical a manufacturer to overlook present difficulties, too courageous a lover of men to surrender to them—he wins his following.

This book, clear, concise and perfectly tempered, is a battle cry for lovers of peace, a friend's challenge to all who must make their names as managers of men.

HENRY S. DENNISON

*Framingham, Mass.*

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## INDUSTRIAL UNREST: A WAY OUT

The world is still staggering from the shock of the war, and every one agrees that the great need to-day is peace. And yet, although we cry "Peace, peace," there is no peace!

In the field of industry the atmosphere is as highly charged with electricity as in that of international relations. Capital and Labour, each suspicious of the other, stand by their guns ready for defence, or, if the occasion serves, for offence, while industry languishes and the morale of the nation is weakened by the long-continued idleness of nearly two millions of her people. The trade depression caused by the loss of a large part of our export trade through the state of Foreign Exchanges is serious enough, but whenever the clouds of depression show a sign of lifting, some far-reaching strike or lock-out throws us back again, till the task of impelling industry up the incline of prosperity seems as hopeless as that of Sisyphus! Meanwhile, the cause of social progress suffers through the country's poverty. Surely never was it more urgently necessary to secure industrial peace! Labour unrest is not a passing evil due to the war. It has always been present, and it was assuming menacing proportions before 1914, but its effects, though serious, were not then ruinous. It took the form of a constantly recurring series of slight earthquake shocks, which might damage a wall in the industrial structure here, or throw down a building there; but it was not a catastrophic earthquake destroying the whole edifice. Moreover, British industry was in a strong position, and although much power might be wasted through lack of proper co-ordination among

its working parts, it had still enough dynamic to render it prosperous.

But now circumstances have changed. The storm-clouds which had appeared on the horizon before 1914 are growing ever darker and more ominous, and very little thought is needed to convince us that the time has come to face the problem of industrial unrest, and see if we cannot in some way dispel this menace to our national well-being, at least in its more acute forms.

### THREE THEORETICALLY POSSIBLE WAYS TO SECURE INDUSTRIAL PEACE

Theoretically there are three ways in which industrial unrest may be allayed.

#### MAKING EMPLOYERS ALL-POWERFUL

The first is for the employers to make their position so strong that the workers dare not raise their heads. This happened in the days of slavery and serfdom. Very occasionally the slaves were goaded to revolt against oppression, but their rebellion was put down with such savage brutality that a long interval usually elapsed ere "peace" was again disturbed. But slavery went long since, and the spirit of serfdom has been growing weaker and weaker among the workers for a generation, until the war finally destroyed it.

*It is essential to a proper understanding of the situation to-day that we should realise that the spirit of serfdom has gone. Much unrest is due to the failure of certain employers to grasp this fact. Popular education began the process of destroying serfdom. An uneducated people might be willing, unquestioningly, to live and act and think as their parents did; but education leads men to ask questions, and the workers have been asking them furiously for thirty years and more. They are asking why the employer should always be the accepted master*

and the worker the submissive servant, and why the position of the worker in industry should not be that of co-operator. They are questioning, often with little capacity for making due allowances, but none the less insistently, what we call economic laws; and they are asking whether they are getting a fair share of the product of industry, and why there should be so striking a difference between the life of the workers and that of "the idle rich," of whom, even if they do not come into personal contact with them, they read in the newspapers. These and many other problems are being put forward daily by the workers. Their education, poor enough, forsooth, has nevertheless roused them for ever out of the apathy which marked the servile mind.

But if education over a period of years has been slowly teaching men to think, and if thought has gradually changed their outlook, the war has swiftly banished the last traces of their servility. Just think what happened! Men who all their lives had worked at one job, perhaps in the same shop, following the trade that their fathers followed, living always in one town, often in one street, and largely accepting conditions as they found them as a matter of course, were suddenly seized by some great power and deposited in France, Flanders, Palestine, Mesopotamia, Greece, where they mingled with men from all nations—men from all over the British Empire and from America. And what happened, think you? Was there not, during the long waiting hours, close questioning among these men as to working conditions? Were not these critically contrasted? And has not this comparison of English wages and conditions with those of the Dominions and the U. S. A. had a profound effect on the British workers who fought overseas? They learnt, too, the meaning of good rations and ample clothing. And then there was the challenge: "Your King and Country need you!" They realised that they were

needed in the trenches, and needed in the workshops at home. They realised that they were essential to the saving of the Empire; and this conviction sank into their minds and produced a profound effect. Oh! it was a time of intense education, very thorough and very rapid, and the men will never again be as they were when they left their accustomed grooves in 1914.

#### A BALANCE OF POWER

The second theoretical way in which to secure industrial peace is by establishing a balance of power among federations of employers and workers, each party endeavouring to render itself so strong that the other dare not start an offensive. This, broadly speaking, is the method whose potentialities we are exploring to-day—but it is a perilous experiment, as Europe and the world found to their cost in August, 1914. Such a course is no real preventive of war; it can but postpone its outbreak, but when that outbreak does occur its results are much more serious. We have already had evidence of this fact in the paralysing strikes and lock-outs which characterise modern industrial warfare.

#### THE REMOVAL OF THE CAUSES OF UNREST

There remains but one method of securing peace, and that is patiently and with open minds to explore the causes of unrest and to seek to remove them. That, after all, is the only road to a lasting peace; and really it is the only common-sense and scientific way of dealing with the situation. Unrest is an industrial disease, and can only be remedied as a bodily disease is remedied—first by careful diagnosis of the causes producing it, and secondly by taking the steps necessary to remove them.

I believe the first step is to rid our minds of the idea that, just because industrial unrest has lasted for a long time, it is inevitable while industry continues. Doubtless our British ancestors spoke in a similar way of



cholera and the plague in the seventeenth century! So far from imagining that industrial unrest is inevitable, I think that its presence constitutes a serious reflection on the ability of the employers to do their job efficiently. It is easy, of course, to blame the other party. It is easy for employers to blame the idleness and perversity and short-sightedness of the workers, and for the workers to grow angry over the selfish avarice of the employers, but all this does not help to eliminate unrest! That can only be done by constructive thinking, and the initiative must be taken by employers.

Now obviously if we desire to secure something so valuable as real industrial peace, we must be prepared to pay for it.

Let us consider what this will involve. Leaving out of account the unreasoning labour agitator, who only gains hearers from among discontented people, I think the thoughtful worker would say that any satisfactory scheme of industry must provide the following minimum conditions:

The worker should have:

- (1) Earnings sufficient to maintain a reasonable standard of comfort.
- (2) Reasonable hours of work.
- (3) Reasonable economic security during the whole working life and in old age.
- (4) A reasonable share with the employer in determining the conditions of work.
- (5) An interest in the prosperity of the industry in which he is engaged.

Are these claims such as employers can rightly entertain? Before we seek to answer that question may I suggest that it is essential to approach its consideration with perfectly open minds? It may be difficult for us to do this, because throughout our lives the economic relations of employer and worker have followed certain clearly defined traditions, and these have become so fixed

that they almost seem to be an intrinsic and unalterable part of industry. Moreover, they are closely associated with the wonderful industrial developments of the last seventy or eighty years. It is obvious that we cannot abandon or even modify them in a careless, irresponsible fashion, and it has often been argued that any interference with them might handicap industrial progress or even render it impossible.

Yet to-day that argument fails to convince the impartial observer who sees to what an extent progress is already checked and paralysed by the perpetual struggle between Capital and Labour. It is incumbent upon us as employers, by one means or another, to get industry into sound working trim; and if we find that nineteenth-century methods will not fit twentieth-century needs, we can but say: "After all, we are not living in the nineteenth century!"

Returning now to the claims formulated above, let us examine them *seriatim*.

## WAGES

I think we shall agree that no scheme of industry can be regarded as satisfactory which does not provide minimum wages for workers of normal ability which, in the case of a man, will enable him to marry, to live in a decent house, and to bring up a family of average size in a state of physical efficiency, whilst leaving a margin for contingencies and recreation. Women should be able to live in accordance with a similar standard of comfort, providing for themselves alone.<sup>1</sup>

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<sup>1</sup> I refer here to *minimum* wages, which should be fixed in accordance with human needs. Wages above the minimum may be left to be fixed by the higgling of the market. In laying down the principle which should guide us in fixing minimum wages for women, I bear in mind the fact that *normally* the woman worker has not to provide for others. (See *The Responsibility of Women Workers for Dependents*, by B. S. Rowntree and F. D. Stuart. Oxford University Press, 1921.) I do not here discuss the question of equal pay for equal work.

I do not attempt to indicate what money wage would be necessary to provide such a standard of life, but there is no doubt that it would be higher than is paid in a great number of cases to unskilled labour, and if the wages of unskilled labour are advanced there will be consequential advances in the higher grades of labour. In many industries, therefore, it may be assumed that the standard would necessitate an advance in wage rates over those normally paid.

It may appear Utopian to propose such a course at a time when employers generally are engaged, often quite inevitably, in trying to get wages down in order that they may produce goods at prices which will command a market. I do not for one moment suggest that it would be possible at once to secure minimum wages in accordance with the standard I have outlined. What I am asking is that employers should themselves seek to raise wages as soon as they can, at any rate to the standard indicated, and should regard any lower one as unsatisfactory. It would have an immense effect on the relations of employers and workers if the latter felt that employers were striving to raise wages independently of any pressure which Labour might exercise.

Increased wages may conceivably come from three sources. We may reduce profits, or increase prices, or increase the output of wealth per worker, whether by inducing the workers to exert greater energy or by so improving industrial processes and organisation as to cause each unit of labour to produce more.

As regards the reduction of profits, there may be whole industries so favourably circumstanced that they could afford to raise their scale of wages very substantially and yet earn profits which will ensure adequate supplies of capital. But if such industries exist they are certainly exceptions.

I think we may lay down the principle that Capital

must receive such remuneration as will attract it in whatever measure is necessary for the full development of the industry; and the first claim over any surplus beyond this should be that of the workers who are living below the minimum standard. Speaking for industry generally, I do not think we can look for any important source of increased wages out of profits.

Raising prices is, of course, no remedy, for we are dealing with *real* wages, and if the cost of living goes up, the money income necessary to maintain a given standard of life will rise in proportion.

We must fall back, then, on increasing the output per worker. I think undoubtedly something can be done by adopting methods which will induce the workers to put forth greater efforts. However, facts seem to indicate that when every step has been taken in this direction it would still be impossible in some industries to pay the wages required, and in such cases the main source of revenue must come from the improvement of industrial processes and administration. Here the possibilities are almost unlimited, and I submit that *it is a fundamental duty of all employers, by rendering their industry more efficient, to increase the output per worker to the point that will allow the payment of such minimum wages as I have proposed.*

Coming now to a practical step, I suggest that it would not be unreasonable to make it a statutory duty for all employers within a given time to raise wages in their industry to that point. We are moving in this direction through the means of Trade Boards, which are fixing minimum wages, but not upon any clearly defined principle. I think it would be quite fair to say to an industry: "We will give you five or seven years in which to improve your industrial methods and thus pay the minimum wages required. But if you cannot succeed in doing this within the given period, your industry will be re-



garded as parasitic, and the community will not suffer if it dies out." This may sound impracticable, but I do not believe it to be so. Industrial history has shown, over and over again, that constant and wisely regulated pressure upon an industry to pay higher wages has led to improved methods, which have enabled the employers to increase wages without seriously interfering with the prosperity of the industry, often without interfering with it at all. It is when a demand for a substantial wage increase is *suddenly* forced on the employers that the damage is done. The only possible exception to the course I suggest is agriculture. That could never be regarded as a parasitic industry. Doubtless more scientific farming might considerably increase the output of wealth per worker, so that the farmers could pay at least such minimum wages as are referred to above; but if, after all steps had been taken in this direction, it were still found impossible to pay adequate wages, then it might be necessary to adopt special financial measures to enable this to be done. That workers engaged in the most important of all industries should be the worst paid is a condition of things in which no nation should acquiesce.

## REASONABLE HOURS OF WORK

This aspect of the question need only detain us for a moment. The worker may, I think, claim that his hours of work shall allow him reasonable leisure for recreation and self-expression outside the factory, and further that they shall not be so long as to prejudice his health. On the other hand, if they are too short, it will be impossible to raise the wealth production per worker to the point necessary to enable adequate wages to be paid.

It would be unwise to lay down any hard-and-fast line, but I think that at present forty-eight hours has proved

to be a satisfactory general standard, and that any deviation from it, either up or down, should be justified by special circumstances.

## REASONABLE ECONOMIC SECURITY DURING THE WHOLE WORKING LIFE AND IN OLD AGE

The economic insecurity which characterises our existing industrial system is probably more potent than any other factor in causing labour unrest, and this aspect of industry most urgently claims earnest and constructive thinking on the part of employers. We will consider first the question of unemployment.

### UNEMPLOYMENT

The fact that in modern industry it is the almost universal custom to dispense with workers, with no concern as to their immediate future, the moment the demand for their service ceases, gives force to the contention that labour is treated by employers merely as a chattel. That state of things, rightly or wrongly, is regarded by the workers as an injustice. I am sure that we shall never have industrial peace until we find some way of removing the menace of unemployment. I do not propose here to discuss the whole question of how best to deal with unemployment, or to consider any means whereby it may be possible to regularise the demand for labour. That would lead me too far from the main subject. Clearly, however, it is the duty of the community to take every possible step to steady the labour market, and to provide work for the unemployed in times of trade depression on satisfactory lines. But when the utmost has been done in this direction there will still remain a margin of men and women for whom work cannot be found. What is to happen to them? I suggest that if, in order to function efficiently, industry retains a reserve of workers to

meet its varying demands, it should make adequate provision for the maintenance of that reserve when it cannot be absorbed. If employers, as a class, fail to acknowledge this responsibility they are, it seems to me, giving away one of the main defences of the existing system under which the capitalist asks the workers to unite with him in undertaking an industrial enterprise. What he says to them is practically this: "If you will provide labour, I will provide the necessary capital. The first claim upon the product of our joint enterprise shall be the payment to you week by week of agreed wages. After that, the other charges of the industry must be met, and then, if there is anything over, I will take it as a recompense for the service I render in providing the capital. Since I take the risks of industry, I am justified in taking the profits."

There is a great deal to be said for an arrangement of this kind, but at present one of the principal risks attached to industry is liability to find oneself unable to earn a livelihood through involuntary unemployment due to trade depression. If the capitalist leaves the worker to face that risk unaided, he abandons the ground on which he justified himself in taking all the profits. But is it Utopian and unpractical to suggest that the burden of maintaining the reserve of workers necessary for the functioning of industry should devolve mainly upon industry as one of its normal charges? I think not. So far as the very inadequate available statistics enable us to form an estimate, I think it may be said that probably, on the average, over a period of years, about 95 per cent of the workers are employed and 5 per cent are unemployed. The proportions vary, of course, according to the state of trade, but the above estimate is not far wrong.<sup>1</sup> Therefore, *even if the reserve of workers at-*

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<sup>1</sup>We cannot take as a basis for a scheme of Unemployment Insurance the unique conditions obtaining in 1921 and 1922. These are due to the war, and must be met by emergency methods.

tached to an industry were to receive their full wages when unemployed, the burden on the industry would only involve an addition of about 5 per cent to the wages bill. But human nature being what it is, it would be unwise to pay unemployed workers on just the same scale as if they were employed. I think, however, that if the capitalistic system of industry is to justify itself, it must pay the necessary reserve of workers a sum sufficient to enable them to live without serious privation and hardship in periods of inevitable unemployment. In a word, industry should remove from the workers the practical menace involved in their liability to unemployment. The scale of payment under the National Unemployment Insurance Act is totally inadequate to achieve this end. I suggest that a suitable scale of payments would be to give every unemployed person who is able and willing to work half his or her average earnings when employed, and in addition to give a married man 10 per cent on account of his wife and 5 per cent for each dependent child under sixteen, with a maximum of 75 per cent of his average earnings.

Such an unemployment insurance scheme might be administered by the State, or by industries, or by individual factories or groups of factories. I do not here discuss in detail which of these three methods would be likely to give the best result.

The first has the advantage of securing the end universally and in the shortest time. The second (insurance by industries) has the advantage of placing the responsibility for its own reserve of workers on each industry, and thus giving it a strong inducement so to organise itself as to reduce the amount of unemployment.<sup>1</sup> The last method, which obviously would only be made use of in default of the others, has been adopted, with cer-

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<sup>1</sup> Insurance on the scale indicated above is provided for throughout the whole of the match industry of Great Britain.



tain modifications, by my own firm, which employs 7,000 workers. What I want to plead for is the acceptance of the view that it is not unreasonable of the workers to demand that, just as a well-administered firm sets aside capital reserves in periods of prosperity, so that it may equalise dividends over good and bad years, so an industry or a firm should establish a wages equalisation fund, which will enable it to pay part wages to its reserve of workers during the periods in which their services are not needed.

I must now briefly meet various criticisms which are sure to be urged against the course I advocate. The first is that such a policy will lead to gross abuse. It may be said that if the worker is maintained without serious privation when unemployed, he will become demoralised. I admit at once that this is a danger. Still, through our system of Employment Exchanges and with the assistance of Trade Unions it has been found possible to introduce fairly effective checks to prevent abuse of the Unemployment Insurance Fund. I do not claim that such checks have been entirely successful, even when the benefits provided, as in the case of our National Insurance Act, are much less than I am here advocating; but administrative modifications are clearly possible which would make the checks much more effective. Where a scheme of unemployment insurance is undertaken by a factory, it is quite easy to introduce effective checks. In our own factory the benefits on the scale I have outlined are paid to all unemployed workers. We make up the State insurance, *plus* 6s. paid by the trade union, to the amounts I have indicated above. But our policy is to guarantee to set aside 1 per cent of our wage bill in order to meet our liabilities, until the fund reaches £25,000, after which we will pay each year whatever may be necessary to maintain the fund at £25,000. But the maximum payment to be made in a year is never to

exceed 1 per cent of the total wage and salary bill. We do not guarantee the benefits. We are satisfied that if there is no abuse our payments will be sufficient to meet the liabilities. The entire administration of the fund has been handed over to the workers, who have the power to refuse benefits to any worker who, in their opinion, is refusing offers of work. All our employed workers are interested in seeing that there is no abuse, since clearly abuses would lead to a depletion of the insurance fund, which might render it impossible for it to meet liabilities on their account if they became unemployed.

The second criticism which I must meet is that industry cannot afford to pay the insurance premiums. Here we may suitably ask: "Who precisely is to pay these premiums?" Now, although it may be argued that in equity the whole burden should fall on the employers, I think that from the psychological standpoint it is desirable that the workers should bear a share, and also that the community might be called upon to make a contribution. This is the course followed in the case of the National Unemployment Insurance Act. Supposing the total burden were approximately  $3\frac{1}{2}$  per cent of the wage bill, and the State and the workers between them bore half, that would leave only  $1\frac{3}{4}$  per cent on the wage bill to be borne by the employers. I do not think such a tax would cripple industry, especially when we remember the important reactions which would follow in its train. The fear of unemployment, and the sense of injustice associated with this fear in the minds of the workers, are two of the most potent causes of labour unrest, and a measure which removed them would have a unique effect in dispelling that unrest. Again, the fear of unemployment is a strong contributory cause of *ca' canny*, and of objections to piece-work, and to the introduction of labour-saving machinery and improved administration. When we recall these facts we realise at

once that the reactions to be obtained from a really generous scheme of unemployment insurance are of the utmost consequence. In my opinion they will probably do more than neutralise any additional charge which industry may have to bear.

### SICKNESS AND OLD AGE

To turn to other aspects of economic security, experience has shown us that, broadly speaking, workers have been able, through their system of Friendly Societies, supplementing as they do the National Health Insurance benefits, to make provision for periods of sickness; but we are still faced with the danger that a worker, although he may have been reasonably thrifty all his life, may find himself without resources when he can work no longer on account of old age. Until the level of wages is materially higher than at present, I think some system of old-age pensions is almost a necessity. The Old Age Pension Act only provides a pension of 10s. a week at seventy. Undoubtedly this has proved an immense boon in countless cases, but by itself the sum is obviously inadequate for maintenance, and many firms have introduced pension funds of their own to which workers contribute. Whatever be the means devised, I do not think that any scheme of industry can be regarded as complete unless, in one way or another, it secures to the worker, or enables him to secure for himself, a substantial provision against old age.

### GIVING WORKERS A SHARE IN DETERMINING WORKING CONDITIONS

I now come to two aspects of the industrial problem where the path is much more obscure. In the matters of wages, hours, and economic security, the ends to be achieved can be clearly stated, and the steps necessary to

achieve them can be indicated with a large measure of certainty. But when we come to questions of giving the workers a share in determining the conditions under which they work, and an interest in the prosperity of the industry in which they are engaged, we feel less certain as to the exact direction in which to travel. Yet these questions cannot be set aside just because they are difficult. There is to-day a rapidly growing demand on the part of the workers for a larger share in the control of their own working lives. This demand varies greatly, both in degree and intensity, and it may represent very different schools of thought, but it is generally present in one form or another. An attempt has been made to meet it through the inauguration of Joint Industrial Councils and Interim Industrial Reconstruction Committees, which have now been set up in about ninety industries. In so far as these are confined to National Councils dealing with whole industries, I do not think they will satisfy the demand of the workers, who want something much more intimately associated with their daily lives. It is time for us to inquire into their claim, and ask to what extent employers should attempt to comply with it. Briefly, I think the position taken up by a fair-minded and thoughtful worker might be thus stated: "The State has done its best to make me an intelligent citizen. I recognise that industry is an essential factor in community life, and I am an essential factor in industry. I also recognise that capital is an essential factor in industry. I see that Capital and Labour must cooperate before either can become effective; but I look upon it as unreasonable that in matters affecting my daily life and the conditions under which I work, Capital shall always be the absolute master and I the unquestioning servant. I acknowledge that in an industrial enterprise there must be some one in supreme control, and there must also be discipline; but this does not pre-



clude an arrangement under which working conditions are mutually agreed upon instead of being dictated by the representatives of capital."

The employing classes, who for generations have been accustomed to believe that the possession of capital puts them in the position of autocrats who can do what they like in their own factories, are apt at first to set aside this claim of the worker as subversive of the whole industrial system, and to meet it with an absolute refusal. This attitude in the past has met with more or less success. But we are coming to realise that it cannot be maintained much longer, and that to attempt to maintain it is to encourage the demand of the extremists for a complete recasting of the industrial system. Many thoughtful employers are therefore endeavouring to initiate schemes under which the claim of the workers can be largely conceded without lowering industrial efficiency. These attempts are meeting with a considerable measure of success, and frequently any antagonism which was growing up between Labour and Capital is being replaced by a spirit of co-operation. Although opinions may differ widely as to the practical steps which should be taken, I think we shall agree that the demand for a share in determining working conditions which has definitely been made by the workers, and which is the inevitable outcome of an improved education, must be dealt with before we can hope for industrial stability. Workers can be treated as mere servants when they aspire to no higher position. But when once they claim that they are co-operators, rather than servants, it is courting antagonism to refuse to devise some scheme which places them on the higher footing. Whether we welcome or regret the change will depend upon our personal view of Society. But we cannot refuse to acknowledge that it has come; and if we are wise we shall adapt our future policy to that fact. We can no longer effec-

tively crush the demand of the workers. Those who sit on the safety valve of a boiler while steam is being generated run the risk of being blown up.

Doubtless it may be easier to conduct an industrial enterprise when the representatives of capital have autocratic power, than to conduct it in co-operation with the workers. But if we make up our minds to face the difficulty, we can adopt the latter method without lowering industrial efficiency, and indeed, in the long run, I believe that efficiency will be increased, and not diminished.

No common line of action has as yet been worked out, and possibly none will ever be worked out, for developing and also standardising the machinery for co-operation between the employers and the workers in determining working conditions. But, meanwhile, individual employers confronted with a new psychological attitude on the part of Labour are feeling their way towards the best method of meeting it. In our own factory we are successfully giving an increasing share of responsibility to the workers. The directors retain a veto in all matters, and the Trade Unions do the same; but subject to these two vetoes, which are scarcely ever exercised, I think it may be said that working conditions generally are fixed by mutual consent and not dictated by the management.

It is important that the workers should be consulted and have a share in determining matters which are of real consequence—not merely questions of welfare. In a democracy the people are responsible for framing the laws under which they live, and for appointing, either directly or indirectly, the executive charged with the duty of administering the laws, and any citizen charged with breaking the laws is protected by a judicial system from arbitrary punishment. Similarly, in our own case, we have sought to give the workers a real share in the legislative, executive, and judicial functions of factory administration. Just recently a code of working rules

for the whole factory has been agreed upon between the workers and the management, and it cannot be altered except by mutual consent. The workers, through their representatives, are consulted before a foreman is appointed, but when they have said all they have to say with regard to the person proposed, and have been given the opportunity of suggesting another name, the final decision rests with the management, which, however, is not likely deliberately to appoint a foreman to whom a genuine objection is shown. And lastly, an Appeal Committee has been set up to which any worker may go who feels that he has been harshly treated in disciplinary matters, and the decision of this committee is final. It consists of two workers appointed by the worker members of the Central Council, two members appointed by the directors, and a chairman agreed upon between them. No appeal is allowed to this committee in cases of dismissal for inefficiency or on account of depression in trade.

I have not included among the measures necessary to secure industrial peace the provision of a good working environment, because this would be a corollary of giving the workers a share in determining their own working environment. They would carefully watch over what I may term the welfare conditions in the factory. I think, however, that there is scope for a little more sympathetic imagination on the part of employers regarding the material surroundings in which men and women are expected to work. We cannot expect efficiency from people whose daily routine is carried on amid discomfort, in rooms which are ill-lighted, ill-ventilated, and ugly. It may be urged that workers are already consulted regarding working conditions through their Trade Unions, and that nothing further is required. Experience in a great many factories shows, however, that there is a place for Works Committees as well as for Trade Unions. The

latter confer with the Employers' Federations regarding such working conditions as apply to a whole industry; the former are consulted on what I may call domestic matters, which relate to the special factory concerned. The right to consultation on these matters means a great deal to the workers—indeed, it markedly raises their whole status.

### PROFIT-SHARING

I pass now to the question of giving the workers an interest in the financial prosperity of the industry in which they are engaged. I have been driven to recognise the need for such a policy rather against my will. For a long time I was definitely opposed to any scheme of profit-sharing, but now I have come to feel that something of that nature is a necessary condition of industrial peace. More and more workers are saying to the employers: "You press us for increased output. You ask us to unite with you in rendering the business as efficient as possible. But why should we bother? Apart from possible individual advantages under a piece-work system, the only effect of our energy will be to increase the earnings of shareholders, for whom we care nothing."

It is of little use to tell people who are thinking along these lines that the workers will gain in the long run by rendering industry efficient, and thus making a higher standard of living possible for themselves. This argument is too remote for men who are apt to take very short views. They see that increased efficiency leads directly to increased dividends, and also that improved methods may mean a temporary dislocation of the labour market, which affects them much more nearly than any arguments concerning the ultimate advantages which they will gain from increased output.

Now, if we really want to bridge the gulf between Capital and Labour, and to replace the growing spirit

of antagonism by a spirit of co-operation, I think we must definitely adopt some system whereby both parties are directly interested in industrial prosperity.

I am very familiar with the arguments against profit-sharing or co-partnership. Indeed, I have myself made use of them for many years. I know, too, that organised Labour is afraid that profit-sharing schemes may undermine the solidarity of the Labour movement. So far as that fear is concerned, I am convinced that it could be removed if the schemes devised safeguarded adequately the interests of the Unions. As for the general drawbacks to profit-sharing, I have come to the conclusion that, having regard to the present psychology of the workers, they are more than outweighed by its advantages. But it is important that we should find out just what we want to achieve by giving workers a direct interest in the prosperity of their own industry. I think that, primarily, we wish them to feel that we are honestly trying to do justice to their claims as human beings. Profit-sharing should not be a substitute for, or an alternative to, piece-work, but something over and above whatever means an employer can legitimately adopt to induce workers to do their best. It is rather a mode of creating harmony throughout the works than a direct stimulus to effort.

But if a scheme of profit-sharing is to give the good results which should be expected from it, certain fundamental conditions must be met in every case.

I think they may be stated as follows:

- (1) The figure taken for capital must be a fair one, and not one inflated for the purpose.
- (2) Labour's share of profits must be definitely fixed beforehand, and there must be no room for manipulation, whether in connection with the setting aside of reserves, by unduly increasing the reward of direction, or by any other method.



- (3) Labour must have adequate means of satisfying itself as to the accuracy of the accounts.
- (4) Labour must have a legal right to its share of profits, and not be given them as a bounty.
- (5) There must be no unreasonable provisions aimed at the freedom and mobility of Labour.
- (6) Wages must not be less than Trade Union or other appropriate rates.
- (7) Employees must be free to join a Trade Union.
- (8) Strikes must not be penalised in any way under the profit-sharing scheme.

Subject to these conditions I believe it would be advisable to introduce profit-sharing. I am, of course, referring only to "surplus" profits, i. e., any profits there may be left over in a business after Labour and Management have been paid current rates of wages, and after Capital has received the current rate of interest for secured capital, *plus* a reasonable margin to cover risk. In other words, there are no surplus profits until Capital is receiving whatever rate of remuneration may be necessary to ensure any further supply which may, from time to time, be required for the development of the business.

Let me briefly summarise what I have said. Industry is confronted by a growing spirit of unrest and antagonism between Capital and Labour, which means not only perpetual strikes and lock-outs, but an infinite amount of daily friction and wasted energy. There are, theoretically, three ways in which we may confront the situation. Capital may organise still further, in the hope of becoming so strong as to be able to crush Labour. But I think we realise that no solution of the problem is to be found along these lines. Again, a balance of power may be established between federated Capital and federated Labour. But this is no real solution. It is a perilous expedient which, speaking generally, only postpones the conflict between them. The alternative is to discover

and remove the legitimate causes of Labour unrest, and I have suggested that there are five claims on the part of the workers which must be satisfied. (1) We must so organise industry that it will become possible to pay all workers of normal ability wages which will at least enable them to live in reasonable comfort. (2) Their working hours must be such as will give them adequate opportunities for recreation and self-expression. (3) Measures must be taken materially to increase their economic security, notably with regard to unemployment. (4) They must have a share in determining the conditions under which they shall work; and finally (5) They must have a direct interest in the prosperity of the industry in which they are engaged.

I believe that all these conditions can be met without lowering the efficiency of industry, and that if employers will devise means for meeting them in a generous spirit, we shall succeed very largely in replacing the present spirit of antagonism between Capital and Labour by a spirit of harmony and co-operation. It may be urged that the workers are never satisfied, and that we have tried sometimes one and sometimes another of the methods to which I have referred, with unsatisfactory results. But I am convinced that *we shall not obtain satisfactory results unless we apply the whole remedy.* The present situation calls not only for bold action, but for imagination and sympathetic insight on the part of those who conduct industry. I should like to see the Anglo-Saxon races give a lead to the rest of the world in dealing effectively with the problem of industrial unrest. It is a task for which they are, by tradition and temperament, particularly suited. The moment is opportune, the need for action is urgent, and the initiative must be taken by employers.

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